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EU Member States reach political agreement on CAP Health Check

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Report Highlights:

EU Agriculture Ministers reached a political agreement on the Health Check of the CAP at the Agriculture Council meeting of November 18 - 20, 2008. The text of the Agreement will appear as an 'A' point (without discussion) on the agenda of a forthcoming Council meeting. This report highlights some of the principal elements of the Agreement.

Includes PSD Changes: No
Includes Trade Matrix: No
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EU Agriculture Ministers reached political agreement on the Health Check of the CAP during the Agriculture Council of November 18 to 20. The European Commission noted that the CAP Health Check exercise was to pursue three main objectives: 1) improve the single payment scheme, 2) modernize agricultural market management tools, and 3) respond to the new challenges of climate change, bioenergy production, water management and the preservation of biodiversity. The text of the Agreement will appear as an 'A' point (without discussion) on the agenda of a forthcoming Council meeting following finalization by EU legal and translation services.

The principal elements of the CAP Health Check were as follows:

Grains

- **Abolition of set-aside:** the requirement for arable farmers to leave 10 percent of their land fallow is to be abolished with effect from MY 2008/09. It is interesting to note that it is the set-aside mechanism that has been abolished as opposed to the rate of set-aside being set at 0 percent. This implies that set-aside is no longer to be considered as a supply-side management tool. In practice, the area of land liberated from the set-aside obligations is likely to amount to between 1.2 and 1.6 million ha (given a theoretical available area of some 4 million ha, a maximum of 40 percent of which could return to crops the remainder being marginal land).

- **Intervention mechanisms:** intervention is to be set at 0 for durum wheat (with effect from MY 2009/10), rice (with effect from MY 2009/10), barley and sorghum (with effect from MY 2010/11). For soft wheat, intervention purchases will be possible during the intervention period from November 1 to May 31 at a price of €101.31 per MT up to 3 million MT. Beyond that, intervention buying-in will be made *via* bids under a tender system (with effect from MY 2010/11). Monthly increments will also cease from July 2010. Although not part of the Health Check exercise, it should be recalled that intervention for corn (maize) is to be phased out from MY 2009/10 onwards (*via* the setting of a 0 threshold), having been subject to a ceiling of 1.5 million MT in MY 2007/08 and a subsequent ceiling of 700,000 MT in MY 2008/09 (as previously reported in [GAIN E47046](#)). As such, although thresholds are to be set at 0 for durum wheat, rice, barley and sorghum, the intervention mechanism for these products will be maintained as a market management instrument as is the case for corn.

- **Decoupling of support:** aid for arable crops, durum wheat and hops will be decoupled on January 1, 2010. Decoupling of aid for the processing of dried fodder will take place on April 1, 2012. The Commission will draw up a report by December 31, 2012 on the progress of the Health Check particularly with regards to progress towards decoupling.

Dairy

- **Soft Landing of Dairy Quota:** Ministers agreed to the Commission's original proposal of five consecutive 1 percent quota increases from 2009 to 2013, before the expiration of the dairy quota regime in 2015. Italy will be allowed to front-load its five annual increases as one single 5 percent increase in 2009/10. However, for the quota years 2009/10 and 2010/11, the super-levy rate will be increased to 150 percent of the standard rate for any producers who produce over 6 percent more than their quota (as a deterrent against Italy abusing of its front-loading privilege and still widely producing over its milk quota).

- **Dairy intervention and Private Storage Aid:** Ministers further rejected reforms to the intervention system for butter and skimmed milk powder. Buying-in of butter and skimmed milk powder (SMP) will continue at fixed intervention prices during the intervention period from March 1 to August 31 up to a maximum quantity of 30,000 MT of butter and 109,000 MT of SMP. The tool of Private Storage Aids (PSA) for butter is also maintained. The tools of disposal aid for using SMP in feed and in casein/caseinate production are maintained but the system is changed such that the Commission will now decide on opening these instruments on the basis of market prices. The PSA for cheese, as well as the aid schemes for the use of butter in pastries and ice cream and for direct consumption are to be abolished.

- **Fat Coefficient:** Adjustments to the butterfat coefficients through Management Committee decisions have also been accepted.

- **Aid for Least Favored Areas:** While no new money is being provided for a Milk Fund, as requested by Germany, the agreement nevertheless provides that a reserve of 0.5 percent of the national envelope is maintained to help dairy farmers in Least Favored Areas (LFAs) under the Rural Development program, instead of through the new Article 68. This money would be sourced from the unused amounts from the national envelopes.

Additional modulation

Currently, all farmers receiving more than €5,000 in direct aid have their payments reduced by 5 percent, and the money is transferred into the Rural Development budget. This rate will be increased to 10 percent by 2012. An additional reduction of 4 percent will be made on payments above €300,000 per year. The funding obtained this way may be used by Member States to reinforce programs concerning climate change, renewable energy, water management, biodiversity, innovation linked to these points and for accompanying measures in the dairy sector. This transferred money will be co-financed by the EU at a rate of 75 percent and 90 percent in convergence regions where average GDP is lower.

Cross compliance

One of the aims of the Health Check was to simplify the cross compliance rules (whereby farmers are obliged to respect environmental standards, animal welfare and food quality standards, non-respect of the rules resulting in cuts in their support) without diminishing their scope. Considerable criticism of the way cross compliance has been applied is soon to be published in a Report from the Court of Auditors. The institute for European Environmental Policy has pointed out that the cross compliance requirements are actually no stricter than already existing requirements by the EU and Member State laws.

Despite the criticism there was no serious discussion over the cross compliance issue, although the Council and the Commission declared that *"the work will continue with the objective of obtaining further simplification for farmers as well as national administrations regarding the application of requirements on cross compliance"*.

The list of legislative texts setting conditions for payment of the full amount of Community aids was adapted during the meeting.

One aspect of the cross compliance system is **Good Agricultural and Environmental Condition (GAEC)**. It was decided that GAEC standards including:

- retention of terraces,
- standards for crop rotation,
- appropriate machinery use,
- minimum livestock stocking rates or/and appropriate regimes,
- establishments and/or retention of habitats,
- prohibition of the grubbing up of olive trees,
- maintenance of olive groves and vines in good vegetative condition,

shall be optional except where a Member State had defined for such a standard a minimum for GAEC before January 1, 2009, or where rules addressing the standard are applied in the Member State in accordance with national provisions.

A full summary of the measures is also available on the European Commission DG Agriculture [website](#).

Related reports from USEU Brussels:

Report Number	Title	Date Released
E48058	European Commission publishes legislative proposals on Health Check of the CAP	05/22/2008
E48135	EU Water Framework Directive	11/24/2008
This report can be accessed through our website http://useu.usmission.gov/agri/ or through the FAS website http://www.fas.usda.gov/scripts/attacherep/default.asp .		